



December 26, 2003

Ms. Barbara Ollila
Grant Administrator
PO Box 110650
Juneau, Alaska 99811-0650

Dear Barbara,

A couple of months ago I spoke with Arnold Liebelt about the stipulation in the Denali Commission Grant that mandates grant monies can only be given to a not-for-profit agency. With Valley's decision to form a Joint Venture with a for-profit entity, it was unclear how an arrangement could be structured to meet the granting requirements and allow the Joint Venture to retain the use of the grant funds.

After discussions with our attorneys and our Joint Venture partners, it appears that Valley Hospital Association will be unable to meet the grant requirements, and overcome the private benefit issue associated with transactions between for-profit and not-for-profit entities. If the Denali Commission believes there is another avenue around the non-profit stipulation, then the Joint Venture would be interested in discussing this option with you.

Thank you for your time and consideration in this matter. If you have any additional questions or concerns, please contact me at 907-352-4834.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Abreu", written over a horizontal line.

John Abreu
Chief Financial Officer
Valley Hospital